

**TORONTO CITY  
SCHOOL DISTRICT**



**AUDITED FINANCIAL STATEMENTS  
JUNE 30, 1999**

**TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY**

**JUNE 30, 1999**

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To the Board of Education  
Toronto City School District  
Toronto, Ohio 43964

We have reviewed the Independent Auditor's Report of the Toronto City School District, Jefferson County, prepared by Rea & Associates, Inc., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Toronto City School District is responsible for compliance with these laws and regulations.

  
JIM PETRO  
Auditor of State

January 4, 2000

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**Rea & Associates, Inc.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

November 19, 1999

To the Board of Education  
Toronto City School District  
Toronto, OH 43964

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of Toronto City School District (the "District") as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Toronto City School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 19, 1999 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Rea & Associates, Inc.*

TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE YEAR ENDED JUNE 30, 1988

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals (Memorandum Only)
	General	Special Revenue		Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	Fixed Asset Account Group	General Long-Term Debt Account Group	
		\$222,744	\$387,313								
<b>Assets and Other Debits:</b>	\$447,003										\$1,096,931
Equity in Pooled Cash and Cash Equivalents											
Cash and Cash Equivalents:											
With Fiscal Agents							645,010				645,010
Investments:											
In Segregated Accounts	720,000							18,970			1,087,970
Receivables:											
Taxes	2,244,188										2,886,534
Accounts	22,328	3,701		345							26,372
Materials and Supplies Inventory	17,920			11,028							28,948
Restricted Assets:											
Equity in Pooled Cash and Cash Equivalents	137,571								7,408,339		137,571
Fixed Assets											7,537,336
Accumulated Depreciation											(109,773)
Other Debits:											
Amount Available to Debt Service Fund										837,732	837,732
Provided from General Government Resources										261,261	261,261
<b>Total Assets and Other Debits</b>	<b>\$3,589,008</b>	<b>\$226,445</b>	<b>\$1,138,659</b>	<b>\$12,304</b>	<b>\$80,638</b>	<b>\$545,010</b>	<b>\$38,496</b>	<b>\$7,408,339</b>	<b>\$1,096,993</b>	<b>\$14,117,892</b>	
<b>Liabilities:</b>											
Accounts Payable	\$2,117	\$3,526	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,643
Accrued Wages and Benefits	434,962	78,527		12,088							525,577
Compensated Absences Payable				11,301					308,783		364,989
Intergovernmental Payable	84,199			5,758					50,210		140,167
Deferred Revenue	1,412,247		300,927	3,361							1,716,535
Due to Students											16,542
Claims Payable						84,597					84,597
General Obligation Bonds Payable									740,000		740,000
<b>Total Liabilities</b>	<b>1,978,430</b>	<b>82,053</b>	<b>300,927</b>	<b>32,508</b>	<b>84,597</b>	<b>16,542</b>	<b>84,597</b>	<b>7,408,339</b>	<b>1,096,993</b>	<b>3,694,050</b>	
<b>Fund Equity and Other Credits:</b>											
Investment in General Fixed Assets											
Retained Earnings:											
Unreserved											
Reserved:											
Reserved for Encumbrances	141,586	48,071									180,333
Reserved for Debt Service Principal				676							696,313
Reserved for Contributions											18,970
Reserved for Property Taxes Unavailable for Appropriation	831,941										973,360
Reserved for School Bus Purchases	31,072										31,072
Reserved for Capital Improvements	39,027										39,027
Reserved for Budget Stabilization	67,472										67,472
Unreserved, Undesignated	499,480	96,321								2,984	610,413
Unreserved, Designated	1,610,578	144,392								21,854	10,523,842
<b>Total Fund Equity and Other Credits</b>	<b>\$3,589,008</b>	<b>\$226,445</b>	<b>\$1,138,659</b>	<b>\$12,304</b>	<b>\$80,638</b>	<b>\$545,010</b>	<b>\$38,496</b>	<b>\$7,408,339</b>	<b>\$1,096,993</b>	<b>\$14,117,892</b>	
<b>Total Liabilities, Fund Equity and Other Credits</b>											

The notes to the financial statements are an integral part of this statement.

TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects Trust		
<b>Revenues:</b>						
Intergovernmental	\$2,806,201	\$781,270	\$35,238	\$87,155	\$0	\$3,709,862
Interest	76,705	360	-	-	188	77,253
Tuition and Fees	16,364	-	-	-	-	16,364
Extracurricular Activities	-	155,368	-	-	-	155,368
Gifts and Donations	-	6,142	-	-	2,300	8,442
Property & Other Local Taxes	2,080,102	-	419,815	-	-	2,499,917
Miscellaneous	5,133	-	-	-	-	5,133
<b>Total Revenues</b>	<b>4,984,505</b>	<b>943,140</b>	<b>455,051</b>	<b>87,155</b>	<b>2,488</b>	<b>6,472,339</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	1,957,161	275,750	-	82,498	-	2,315,409
Special	299,246	215,238	-	-	-	514,484
Vocational	136,078	-	-	-	-	136,078
Other	607	-	-	-	-	607
<b>Support Services:</b>						
Pupils	164,781	849	-	-	-	165,630
Instructional Staff	130,327	74,971	-	-	-	205,298
Board of Education	5,305	-	-	-	-	5,305
Administration	527,611	55,476	-	-	-	583,087
Fiscal	171,822	-	9,302	-	-	181,124
Business	-	29,000	-	-	-	29,000
Operation and Maintenance of Plant	711,198	656	-	-	-	711,854
Pupil Transportation	164,370	16,750	-	-	-	181,120
Non-Instructional Services	-	91,923	-	-	2,200	94,123
Extracurricular activities	105,861	107,414	-	-	-	213,275
Capital Outlay	-	-	700	-	-	700
<b>Debt Service:</b>						
Debt Service - Principal	-	-	185,000	-	-	185,000
Debt Service - Interest	-	-	80,128	-	-	80,128
<b>Total Expenditures</b>	<b>4,374,367</b>	<b>868,027</b>	<b>275,130</b>	<b>82,498</b>	<b>2,200</b>	<b>5,602,222</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>610,138</b>	<b>75,113</b>	<b>179,921</b>	<b>4,657</b>	<b>288</b>	<b>870,117</b>
<b>Other Financing Sources and Uses</b>						
Refund of Prior Year Expenditures	39,167	-	-	-	-	39,167
Operating Transfers Out	(31,608)	-	-	-	-	(31,608)
<b>Total Other Financing Sources (Uses)</b>	<b>7,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,559</b>
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>617,697</b>	<b>75,113</b>	<b>179,921</b>	<b>4,657</b>	<b>288</b>	<b>877,676</b>
<b>Fund Balance at Beginning of Year</b>	<b>992,881</b>	<b>69,279</b>	<b>657,811</b>	<b>7,647</b>	<b>2,395</b>	<b>1,730,013</b>
<b>Fund Balance at End of Year</b>	<b>\$1,610,578</b>	<b>\$144,392</b>	<b>\$837,732</b>	<b>\$12,304</b>	<b>\$2,683</b>	<b>\$2,607,889</b>

The notes to the financial statements are an integral part of this statement.

TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999

	General			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Intergovernmental	\$2,799,530	\$2,801,286	\$1,756	\$801,444	\$781,270	(\$20,174)
Interest	62,500	61,649	(851)	360	360	-
Tuition and Fees	16,200	16,256	56	-	-	-
Extracurricular Activities	-	-	-	151,350	151,667	317
Gifts and Donations	-	-	-	6,135	6,142	7
Property & Other Local Taxes	2,002,185	2,000,207	(1,978)	-	-	-
Miscellaneous	5,000	5,010	10	-	-	-
<b>Total Revenues</b>	<b>4,885,415</b>	<b>4,884,408</b>	<b>(1,007)</b>	<b>959,289</b>	<b>939,439</b>	<b>(19,850)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	1,996,273	1,981,892	14,381	294,127	266,888	27,239
Special	307,835	298,193	9,642	282,997	218,128	64,869
Vocational	143,738	141,538	2,200	-	-	-
Adult/Continuing	350	-	350	-	-	-
Other	35,070	28,883	6,187	-	-	-
<b>Support Services:</b>						
Pupils	182,502	172,672	9,830	897	849	48
Instructional Staff	170,005	131,272	38,733	101,182	86,721	14,461
Board of Education	6,736	5,313	1,423	-	-	-
Administration	577,085	544,873	32,212	70,257	57,330	12,927
Fiscal	187,055	176,654	10,401	-	-	-
Business	-	-	-	30,658	29,902	756
Operation and Maintenance of Plant	844,880	816,793	28,087	17,656	17,656	-
Pupil Transportation	199,983	165,492	34,491	16,750	16,750	-
Non-Instructional Services	-	-	-	130,855	113,102	17,753
Extracurricular activities	115,081	113,183	1,898	134,912	120,774	14,138
Capital Outlay	-	-	-	-	-	-
<b>Debt Service:</b>						
Debt Service - Principal	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>4,766,593</b>	<b>4,576,758</b>	<b>189,835</b>	<b>1,080,291</b>	<b>928,100</b>	<b>152,191</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>118,822</b>	<b>307,650</b>	<b>188,828</b>	<b>(121,002)</b>	<b>11,339</b>	<b>132,341</b>
<b>Other Financing Sources and Uses</b>						
Operating Transfers In	-	-	-	5,007	5,007	-
Refund of Prior Year Expenditures	40,318	39,917	(401)	-	-	-
Operating Transfers Out	(31,608)	(31,608)	-	(5,007)	(5,007)	-
<b>Total Other Financing Sources (Uses)</b>	<b>45,528</b>	<b>8,309</b>	<b>(37,219)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>164,350</b>	<b>315,959</b>	<b>151,609</b>	<b>(121,002)</b>	<b>11,339</b>	<b>132,341</b>
Fund Balances at Beginning of Year	630,437	630,437	-	119,804	119,804	-
Prior Year Encumbrances Appropriated	214,476	214,476	-	40,003	40,003	-
<b>Fund Balance at end of Year</b>	<b>\$1,009,263</b>	<b>\$1,160,872</b>	<b>\$151,609</b>	<b>\$38,805</b>	<b>\$171,146</b>	<b>\$132,341</b>

The notes to the financial statements are an integral part of this statement.

Debt Service			Capital Projects			Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$35,000	\$35,236	\$236	\$87,154	\$87,154	-	\$0	\$0	\$0	\$3,723,126	\$3,704,946	(\$18,182)
-	-	-	-	-	-	175	188	13	63,035	62,197	(838)
-	-	-	-	-	-	-	-	-	16,200	16,256	56
-	-	-	-	-	-	-	-	-	151,350	151,667	317
406,470	406,234	(236)	-	-	-	2,300	2,300	-	8,435	8,442	7
-	-	-	-	-	-	-	-	-	2,408,855	2,408,441	(2,214)
441,470	441,470	-	87,154	87,154	-	2,475	2,488	13	5,000	5,010	10
-	-	-	-	-	-	-	-	-	6,375,803	6,354,959	(20,844)
-	-	-	94,801	83,174	11,627	-	-	-	2,385,201	2,331,954	53,247
-	-	-	-	-	-	-	-	-	590,832	516,321	74,511
-	-	-	-	-	-	-	-	-	143,738	141,538	2,200
-	-	-	-	-	-	-	-	-	350	-	350
-	-	-	-	-	-	-	-	-	35,070	28,883	6,187
-	-	-	-	-	-	-	-	-	183,399	173,521	9,878
-	-	-	-	-	-	-	-	-	273,187	217,993	55,194
-	-	-	-	-	-	-	-	-	6,736	5,313	1,423
10,000	9,302	698	-	-	-	-	-	-	647,342	602,203	45,139
-	-	-	-	-	-	-	-	-	197,055	185,956	11,099
-	-	-	-	-	-	-	-	-	30,658	29,902	756
-	-	-	-	-	-	-	-	-	862,536	834,449	28,087
-	-	-	-	-	-	-	-	-	216,733	182,242	34,491
-	-	-	-	-	-	2,520	2,200	320	133,375	115,302	18,073
700	700	-	-	-	-	-	-	-	249,993	233,957	18,038
-	-	-	-	-	-	-	-	-	700	700	-
185,000	185,000	-	-	-	-	-	-	-	185,000	185,000	-
81,000	80,128	872	-	-	-	-	-	-	81,000	80,128	872
276,700	275,130	1,570	94,801	83,174	11,627	2,520	2,200	320	6,220,905	5,865,362	355,543
164,770	166,340	1,570	(7,647)	3,980	11,627	(45)	288	333	154,898	489,597	334,699
-	-	-	-	-	-	-	-	-	5,007	5,007	-
-	-	-	-	-	-	-	-	-	40,318	39,917	(401)
-	-	-	-	-	-	-	-	-	(36,615)	(36,615)	-
-	-	-	-	-	-	-	-	-	45,528	8,309	(37,219)
164,770	166,340	1,570	(7,647)	3,980	11,627	(45)	288	333	200,426	497,906	297,480
529,973	529,973	-	3,547	3,547	-	2,395	2,395	-	1,286,156	1,286,156	-
-	-	-	4,100	4,100	-	-	-	-	258,579	258,579	-
\$694,743	\$696,313	\$1,570	\$0	\$11,627	\$11,627	\$2,350	\$2,683	\$333	\$1,745,161	\$2,042,641	\$297,480



TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	
<b>Operating Revenues:</b>				
Sales	\$69,350	\$0	\$0	\$69,350
Charges for Services	-	336,084	-	336,084
Interest	-	-	897	897
Contributions and Donations	-	-	1,000	1,000
Refund of Prior Year Expense	95	-	-	95
<b>Total Operating Revenues</b>	<b>69,445</b>	<b>336,084</b>	<b>1,897</b>	<b>407,426</b>
<b>Operating Expenses:</b>				
Salaries	86,257	-	-	86,257
Fringe Benefits	11,940	27,605	-	39,545
Purchased Services	1,824	341,751	-	343,575
Materials and Supplies	103,896	-	-	103,896
Depreciation	2,772	-	-	2,772
Other	4,497	-	950	5,447
<b>Total Operating Expenses</b>	<b>211,186</b>	<b>369,356</b>	<b>950</b>	<b>581,492</b>
<b>Operating Income (Loss)</b>	<b>(141,741)</b>	<b>(33,272)</b>	<b>947</b>	<b>(174,066)</b>
<b>Non-Operating Revenues and Expenses:</b>				
Federal Donated Commodities	11,962	-	-	11,962
Interest	26	28,191	-	28,217
Federal and State Subsidies	104,268	-	-	104,268
Loss on Sale of Fixed Assets	(926)	-	-	(926)
<b>Total Non-Operating Revenues and Expenses</b>	<b>115,330</b>	<b>28,191</b>	<b>-</b>	<b>143,521</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>(26,411)</b>	<b>(5,081)</b>	<b>947</b>	<b>(30,545)</b>
Operating Transfers-In	31,608	-	-	31,608
<b>Net Income (Loss)</b>	<b>5,197</b>	<b>(5,081)</b>	<b>947</b>	<b>1,063</b>
Retained Earnings/Fund Balance at Beginning of Year	22,933	465,494	18,324	506,751
<b>Retained Earnings/Fund Balance at End of Year</b>	<b>\$28,130</b>	<b>\$460,413</b>	<b>\$19,271</b>	<b>\$507,814</b>

The notes to the financial statements are an integral part of this statement.

TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY, OHIO

COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals Memorandum Only
	Enterprise	Internal Service	Non-Expendable Trust	
<b>Increase/(Decrease) in Cash &amp; Cash Equivalents</b>				
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Sales	\$69,005	\$0	\$0	\$69,005
Cash Received from Charges for Services	-	378,606	-	378,606
Cash Received from Contributions & Donations	-	-	1,000	1,000
Other Cash Receipts	530	-	-	530
Cash Pmts. to Suppliers for Goods & Service	(99,438)	-	-	(99,438)
Cash Payments for Contract Services	(1,824)	(377,117)	-	(378,941)
Cash Payments for Employee Services	(84,316)	-	-	(84,316)
Cash Payments for Employee Benefits	(15,834)	(27,605)	-	(43,439)
Other Cash Payments	(4,497)	-	(950)	(5,447)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(136,374)</b>	<b>(26,116)</b>	<b>50</b>	<b>(162,440)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Operating Grants Received	104,268	-	-	104,268
Operating Transfers In	31,608	-	-	31,608
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>135,876</b>	<b>-</b>	<b>-</b>	<b>135,876</b>
<b>Cash Flows from Investing Activities:</b>				
Interest on Investments	26	28,191	897	29,114
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>26</b>	<b>28,191</b>	<b>897</b>	<b>29,114</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(472)</b>	<b>2,075</b>	<b>947</b>	<b>2,550</b>
<b>Cash &amp; Cash Equivalents at Beginning of Year</b>	<b>30,513</b>	<b>542,935</b>	<b>18,324</b>	<b>591,772</b>
<b>Cash &amp; Cash Equivalents at End of Year</b>	<b>\$30,041</b>	<b>\$545,010</b>	<b>\$19,271</b>	<b>\$594,322</b>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided by (Used for) Operating Activities:</b>				
Operating Income (Loss)	(\$141,741)	(\$33,272)	\$947	(\$174,066)
<b>Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided by (Used for) Operating Activities:</b>				
Depreciation	2,772	-	-	2,772
Donated Commodities Used During the Year	11,962	-	-	11,962
Adjustments to Capital Outlay	(7,415)	-	-	(7,415)
Non-Expendable Trust Fund Interest	-	-	(897)	(897)
<b>(Increase) Decrease in Assets:</b>				
Accounts Receivable	90	-	-	90
Material and Supplies Inventory	(57)	-	-	(57)
<b>Increase (Decrease) in Liabilities:</b>				
Compensated Absences Payable	(1,762)	-	-	(1,762)
Claims Payable	-	7,156	-	7,156
Intergovernmental Payable	(929)	-	-	(929)
Deferred Revenue	83	-	-	83
Accounts Payable	(115)	-	-	(115)
Accrued Wages and Benefits	738	-	-	738
<b>Total Adjustments</b>	<b>5,367</b>	<b>7,156</b>	<b>(897)</b>	<b>11,626</b>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(136,374)</b>	<b>(26,116)</b>	<b>\$50</b>	<b>(162,440)</b>
<b>Reconciliation of Cash and Cash Equivalents to the Balance Sheet</b>				
Trust and Agency	\$ 38,496			
Less: Expendable Trust Funds	2,683			
Less: Agency Funds	16,542			
<b>Nonexpendable Trust Fund</b>	<b>\$ 19,271</b>			

The notes to the financial statements are an integral part of this statement.

Toronto City School District  
Jefferson County

Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Toronto City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1884 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 12 square miles. It is located in Jefferson County, and includes the City of Toronto and portions of Knox and Island Creek Townships. The School District is the 498th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 42 non-certificated employees and 80 certificated full-time teaching personnel who provide services to 976 students and other community members. The School District currently operates 4 instructional buildings.

*Reporting Entity:*

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Toronto City School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

The following activities are included within the reporting entity:

*Parochial Schools* - Within the School District boundaries, St. Francis Central School is operated through the Steubenville Catholic Diocese. Current State legislation provides funding to this parochial school. The state monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. The activity of these State monies by the School District are reflected in a special revenue fund for financial reporting purposes.

The School District is associated with four organizations, which are defined as jointly governed organizations and insurance purchasing pools. These organizations include the Ohio Mid-Eastern Regional Education Service Agency, the Jefferson County Career Center, the Ohio School Boards Association Worker's Compensation Group Rating Plan, and the Ohio Mid-Eastern Regional Education Service Agency Health Benefits Plan. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Toronto City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

*General Fund* - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Capital Projects Fund* - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

*Proprietary Fund Types:*

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following are the School District's proprietary fund types:

*Enterprise Funds* - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Internal Service Fund* - The Internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

*Fiduciary Fund Types:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Account Groups:*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

Toronto City School District  
Jefferson County

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**  
**(Continued)**

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earning components. Proprietary and nonexpendable trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

Toronto City School District  
Jefferson County

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**  
**(Continued)**

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 1999 operations, have been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.



Toronto City School District  
Jefferson County

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**  
**(Continued)**

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Jefferson County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

The budget figures, which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. During fiscal year 1999, investments were limited to certificate of deposits. All investments of the School District had a maturity of two years or less. Investments are stated at cost or amortized cost. Investment earnings are allocated as authorized by State statute based upon School District policy.

Toronto City School District  
Jefferson County

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**  
**(Continued)**

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

**E. Inventory**

Inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**F. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**G. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for *proprietary fund operations* are recognized as *non-operating revenues* in the accounting period in which they are earned and become measurable.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

The School District currently participates in several State and Federal programs, categorized as follows:

*Entitlements*

*General Fund*

State Foundation Program  
State Property Tax Relief

*Non-Reimbursable Grants*

*Special Revenue Funds*

Auxiliary Services  
Education Management Information Systems  
Public School Preschool  
Disadvantaged Pupil Impact Aid  
Title I  
Title II  
Title VI  
Title VI-B - Special Education Cluster  
Drug-Free Schools

*Capital Projects Funds*

School Net

*Reimbursable Grants*

*General Fund*

Driver Education

*Proprietary Funds*

Nutrition Cluster Programs  
Government Donated Commodities

Grants and entitlements amounted to approximately 55 percent of the School District's operating revenue during the 1999 fiscal year.

**H. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those, the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

Toronto City School District  
Jefferson County

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**  
**(Continued)**

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after they have met one of the following criteria: 1) 20 or more years of service, 2) 15 years of service and at least 45 years of age, 3) 10 or more years of service and at least 50 years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**I. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions, and retirement incentives, that will be paid from governmental funds, are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds and long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

**J. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Toronto City School District  
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Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)

**K. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**L. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, budget stabilization, capital acquisition, endowments, and bus purchase allowance.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. Money not yet held for the five year period is presented as reserved. The reserve for endowments signifies the legal restrictions on the use of principal.

**M. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY**

At June 30, 1999, the Disadvantaged Pupil Impact Aid and Title VI-B Funds had deficit fund balances of \$26,102 and \$305, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess (Deficiency) of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$315,959	\$11,339	\$166,340	\$3,980	\$288
Adjustments for:					
Revenue Accruals	100,097	3,701	13,581	0	0
Expenditure Accruals	(58,688)	8,475	0	0	0
Other Sources/Uses	(750)	0	0	0	0
Encumbrances	143,702	51,598	0	676	0
GAAP Basis	<u>\$617,697</u>	<u>\$75,113</u>	<u>\$179,921</u>	<u>\$4,657</u>	<u>\$288</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).



**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Funds invested by fiscal agents are determined by trust agreements and bond indentures. Like the cash invested by the District Treasurer, eligible investments include U.S. government obligations, U.S. government agencies, and certificate of deposit.

Any public depository, at the time it receives a District deposit or investment in a certificate of deposit, is required to pledge to the investing authority as collateral eligible securities of aggregate market value that, when added to the portion of the deposit insured by the Federal Deposit Insurance Corporation or the Savings Association Fund, equals or exceeds the amount of District funds deposited.

A public depository may at its option pledge a single pool of eligible securities to secure the repayment of all public monies held by the depository. The pool of securities so pledged must have a current market value at least equal to 110 percent of all public monies on deposit with the depository including the amount covered by federal insurance.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At fiscal year end, the carrying amount of the School District's deposits was \$2,304,372 and the bank balance was \$2,443,775. Of the bank balance, \$120,410 was covered by federal depository insurance and \$2,323,365 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation. The balances above do not include the balances held by the Ohio Mid-Eastern Regional Educational Services Agency School Employees Insurance Consortium.

*Funds Held by Fiscal Agent:* The District participates in the Ohio Mid-Eastern Regional Educational Service Agency School Employees Insurance Consortium for employee benefits. The bank balance at fiscal year end for the Employee Benefit Self-Insurance Fund was \$545,110. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

*Investments:* The School District does not have any investments per Governmental Accounting Standards Board, Pronouncement 3.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$1,781,512	\$1,067,970
Investments:		
Certificate of Deposits	1,067,970	(1,067,970)
GASB Statement No. 3	\$2,849,482	\$0

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Jefferson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$831,941 in the General Fund and \$141,419 in the Bond Retirement Debt Service Fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$43,744,550	81%	\$39,407,370	58%
Public Utility	11,762,390	17%	8,911,710	13%
Tangible Personal Property	16,114,230	22%	19,262,070	29%
<b>Total Assessed Value</b>	<b>\$71,621,170</b>	<b>100%</b>	<b>\$67,581,150</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$44.05		\$44.05	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes	\$2,244,188
Accounts	22,326
Special Revenue Funds	
Accounts	3,701
Debt Service Fund	
Taxes	442,346
Enterprise Fund	
Accounts	345
<b>Total Receivables</b>	<b>\$2,712,906</b>

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$128,997
Less: Accumulated Depreciation	(109,773)
Net Fixed Assets	\$19,224

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$708,164	\$0	\$0	\$708,164
Buildings	5,138,318	0	0	5,138,318
Furniture and Equipment	1,101,634	125,669	41,955	1,185,348
Vehicles	376,509	0	0	376,509
Totals	\$7,324,625	\$125,669	\$41,955	\$7,408,339

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District's insurance coverage was as follows:

<u>Type of Coverage</u>	<u>Insurance Carrier</u>	<u>Deductible</u>	<u>Liability Limit</u>
Building and Contents	Indiana Insurance Company	\$1,000	\$20,089,646
Boiler and Machinery	Indiana Insurance Company	1,000	14,000,000
Crime Insurance	Indiana Insurance Company	0	3,000
Automobile Liability	Indiana Insurance Company	250	1,000,000
Uninsured Motorists	Indiana Insurance Company	250	1,000,000
General Liability	Nationwide Insurance		
Per occurrence		0	2,000,000
Per year		0	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member of the Ohio Mid-Eastern Regional Education Service Agency Health Benefit Plan, a public entity risk management, insurance, and claims servicing pool, consisting of school districts within the region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$84,597 reported in the internal service fund at June 30, 1999 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1998	\$42,879	\$251,496	\$216,934	\$77,441
1999	\$77,441	\$294,463	\$287,307	\$84,597

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Toronto City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statement and required supplementary information. The report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Toronto City School District  
Jefferson County

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**  
**(Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the Toronto City School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS's Retirement Board, within the rates allowed by State statute. The School District's contributions to SERS for the years ended June 30, 1999, 1998, and 1997 were \$176,450, \$112,824, and \$108,450, respectively; 67 percent has been contributed for fiscal year 1999 and 100 percent has been contributed for fiscal years 1998 and 1997. \$58,104 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The Toronto City School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1998 were 9.3 percent of covered payroll for members and 14 percent for employers. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed the maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$376,398, \$354,984, and \$354,492, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent has been contributed for fiscal years 1998 and 1997. \$64,484 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8 percent of covered payroll.

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1998, the allocation rate is 4.98 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Toronto City School District  
Jefferson County

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**  
**(Continued)**

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits was \$79,196.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 180 days for classified personnel and 200 days for certificated personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for classified employees and 50 days for certificated employees.

**B. Retirement Incentive**

Members of the bargaining unit who meet eligible criteria for retirement with the State Employee Retirement System, shall be eligible for a retirement incentive of \$2,000 for 1998 and \$1,000 for 1999. In order to qualify for such retirement incentive, the bargaining unit member must present his/her resignation to the Superintendent of Schools prior to August 15<sup>th</sup> of the given year.

Members of the bargaining unit, who meet eligibility criteria for retirement with the State Teachers' Retirement System, shall be eligible for a retirement incentive of \$7,500 after the 1998 -1999 school year. Such sum shall be in addition to severance pay. In order to qualify for such retirement incentive, the bargaining unit member must work the entire 1998-1999 school year and present his/her resignation to the Superintendent of Schools prior June 15, 1999.

**C. Life Insurance**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company.



**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Balance at 07/01/98	Additions	Deductions	Balance at 06/30/99
School Improvement Bonds	\$925,000	\$0	\$185,000	\$740,000
Intergovernmental Payable	48,818	1,392	0	50,210
Compensated Absences	243,517	65,266	0	308,783
<b>Total Long-Term Obligations</b>	<b>\$1,217,335</b>	<b>\$66,658</b>	<b>\$185,000</b>	<b>\$1,098,993</b>

*School Improvement General Obligation Bonds* - On March 1, 1983, the Toronto City School District issued \$3,780,000 in voted general obligation bonds for the purpose of constructing a new middle school and renovations to existing buildings. The bonds were issued for a twenty-year period with final maturity at December 1, 2002. The bonds will be retired from the debt service fund. The interest rate on the bonds were 9.625 percent.

Compensated absences, the retirement incentive, and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The School District's voted legal debt margin was \$5,342,304 with an unvoted debt margin of \$67,581 at June 30, 1999.

Principal and interest requirements to retire general obligation debt, including notes outstanding at June 30, 1999, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$185,000	\$62,322	\$247,322
2001	185,000	44,516	229,516
2002	185,000	26,710	211,710
2003	185,000	8,903	193,903
<b>Total</b>	<b>\$740,000</b>	<b>\$142,451</b>	<b>\$882,451</b>

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

**NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Toronto City School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Preschool Fees	Total Enterprise Funds
Operating Revenues	\$64,250	\$0	\$5,195	\$69,445
Depreciation Expense	2,772	0	0	2,772
Operating Income (Loss)	(142,149)	(290)	698	(141,741)
Donated Commodities	11,962	0	0	11,962
Grants	104,268	0	0	104,268
Interest	26	0	0	26
Operating Transfers - In	31,608	0	0	31,608
Net Income (Loss)	4,789	(290)	698	5,197
Net Working Capital	(3,551)	0	12,457	8,906
Total Assets	\$48,181	\$0	\$12,457	\$60,638
Total Liabilities	\$32,508	\$0	\$0	\$32,508
Total Equity	\$15,673	\$0	\$12,457	\$28,130

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*Ohio Mid-Eastern Regional Education Services Agency* - The School District is a participant with several other school districts in a jointly governed organization to operate the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA). OME-RESA was formed for the purpose of providing computer services. OME-RESA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District does not have an ongoing financial interest or responsibility in the OME-RESA. To obtain financial information write to the Ohio Mid Eastern Regional Educational Service Agency, Debbie Campana, who serves as Treasurer, at 2023 Sunset Boulevard, Steubenville, Ohio 43952.

*Jefferson County Career Center* - The Jefferson County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Jefferson County Career Center, Karen S. Spoonemore, who serves as Treasurer, at 1509 Co Hwy 22A, Bloomingdale, Ohio 43910-9781.

Toronto City School District  
Jefferson County

**Notes to the General Purpose Financial Statements**  
**June 30, 1999**  
**(Continued)**

**NOTE 16 - INSURANCE PURCHASING POOLS**

*Ohio School Boards Association Workers' Compensation Group Rating Plan* - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP.

*Ohio Mid-Eastern Regional Education Service Agency Health Benefits Plan* - The School District participates in the Ohio Mid-Eastern Regional Education Service Agency Health Benefits Plan, an insurance purchasing pool. The Plan's business and affairs are conducted by a Board of Trustees consisting of the current Superintendent of each of the school districts and county boards of education in the Plan. The Executive Director, or his designee, serves as coordinator of the program. Each month, the participating school districts pay a premium to the Plan to cover the costs of administering the program.

**NOTE 17 - CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

**NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$ 0	\$ 0	\$ 30,654	\$ 30,654
Current Year Set-Aside Requirement	73,636	73,636	36,818	184,090
Current Year Offsets	(13,788)	0	0	(13,788)
Qualifying Disbursements	<u>(59,848)</u>	<u>(34,609)</u>	<u>0</u>	<u>(94,457)</u>
<b>Total</b>	<b><u>\$ 0</u></b>	<b><u>\$ 39,027</u></b>	<b><u>\$ 67,472</u></b>	<b><u>\$ 106,499</u></b>
Cash Balance Carried Forward to FY2000	<u>\$ 0</u>	<u>\$ 39,027</u>	<u>\$ 67,472</u>	
Amount restricted for Capital Acquisition				\$ 39,027
Amount restricted for Budget Stabilization				67,472
Amount restricted for Bus Purchase				<u>31,072</u>
<b>Total Restricted Assets</b>				<b><u>\$ 137,571</u></b>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**NOTE 19 – STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this School District. During the fiscal year ended June 30, 1999, the School District received \$2,616,944 of school foundation support for its general fund.

**Toronto City School District  
Jefferson County**

**Notes to the General Purpose Financial Statements  
June 30, 1999  
(Continued)**

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in the Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTE 20 – YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999.

The school district has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)). The District has seven school buildings with power systems, which have extensive efficiency utilization measures within the systems.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and State of Ohio uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

The School District currently is assessing the changes needed in the power systems. Systems may have to be remediated, and tested and validated.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

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330 - 339 - 6651

**Rea & Associates, Inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

November 19, 1999

To the Board of Education  
Toronto City School District  
Toronto, OH 43964

**Independent Auditor's Report on Compliance and Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

We have audited the financial statements of Toronto City School District (the "School District") as of and for the year ended June 30, 1999, and have issued our report thereon dated November 19, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 19, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Rea & Associates, Inc.*

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*Providing Professional Services for 60 Years*

Columbus  
New Philadelphia  
Millersburg  
Coshocton  
Cambridge  
Marietta  
Medina  
Lima

November 19, 1999

To the Board of Education  
Toronto City School District  
Toronto, OH 43964

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

**Compliance**

We have audited the compliance of Toronto City School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal program is identified in the "summary of auditor's results" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of State, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, Toronto City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Toronto City School District  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance with OMB Circular A-133  
November 19, 1999  
Page 2

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components *does not reduce to a relatively low level the risk that noncompliance with applicable* requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of Toronto City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated November 19, 1999. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the Board of Education, management and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Rea & Associates, Inc.*



TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 1999

Federal/Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U. S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program	044917 FY99	10.550	\$ 0	\$ 11,962	\$ 0	\$ 11,962
National School Lunch Program	044917-03-PU-00-98	10.555	1,774	0	1,774	0
	044917-03-PU-00-99		10,286	0	10,286	0
	044917-04-PU-00-98		9,904	0	9,904	0
	044917-04-PU-00-99		60,460	0	60,460	0
Total National School Lunch Program			82,424	0	82,424	0
School Breakfast Program	044917-05-PU-00-98	10.553	1,683	0	1,683	0
	044917-05-PU-00-99		13,298	0	13,298	0
Total Breakfast Program			14,981	0	14,981	0
Special Milk Program	044917-02-PU-00-98	10.556	144	0	144	0
	044917-02-PU-00-99		830	0	830	0
Total Special Milk Program			974	0	974	0
Total U. S. Department of Agriculture - Nutrition Cluster			98,379	11,962	98,379	11,962
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education</i>						
Special Education Cluster:						
Special Education Grants to States	044917-6B-SF-98P	84.027	3,904	0	6,435	0
	044917-6B-SF-99P		53,589	0	50,933	0
Special Education - Preschool Grants	044917-PG-SI-98P	84.173	0	0	420	0
	044917-PG-SI-99P		4,563	0	4,563	0
Total Special Education Cluster			62,056	0	62,351	0
Title 1, Part A, of IASA	044917-C1-S1-98	84.010	25,607	0	54,308	0
Improving America's Schools Act (IASA)	044917-C1-S1-98C		22,255	0	22,255	0
	044917-C1-S1-99		228,073	0	159,626	0
Total Title 1, Part A, of IASA			275,935	0	236,189	0
Chapter 1 - Capital Expenses	044917-CX-S1-97 C	84.216	0	0	719	0
	044917-CX-S1-99		1,935	0	952	0
Total Chapter 1 - Capital Expenses			1,935	0	1,671	0
Title VI, of IESA	044917-C2-S1-97	84.298	0	0	572	0
Innovative Education Program Strategy Act	044917-C2-S1-98		0	0	531	0
	044917-C2-S1-99		4,187	0	3,337	0
Total Title VI, of IESA			4,187	0	4,440	0
Eisenhower Professional Development State Grant, Title II	044917-MS-S1-98	84.281	0	0	5,864	0
	044917-MS-S1-99		5,954	0	0	0
Total Title VI, of IESA			5,954	0	5,864	0
Continuous Improvement Grant School to Work	044917-WK-BE-00-99	17.249	5,000	0	0	0
Safe, Drug-Free Schools & Communities Act Grant Program	044917-DR-S1-98	84.186	0	0	204	0
	044917-DR-S1-99		4,683	0	3,187	0
Total Safe, Drug-Free Schools & Communities			4,683	0	3,391	0
Total U. S. Department of Education			359,750	0	313,906	0
Total Federal Financial Assistance			\$ 458,129	\$ 11,962	\$ 412,285	\$ 11,962

TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 1999

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: NUTRITION CLUSTER

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed. At June 30, 1999, the School District had no significant food commodities inventory. Reimbursement moneys are commingled with local receipts and state grants. It is assumed federal moneys are expended first.

TORONTO CITY SCHOOL DISTRICT  
JEFFERSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 1999

**1. SUMMARY OF AUDITOR'S RESULTS**

A-133 Ref.  
.505(d)

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any reportable conditions reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section 510(a) of Circular A-133?	No
(d) (1) (vii)	Major Programs (list):	Title 1, #84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

NONE

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE

**4. SUMMARY SCHEDULE OF PRIOR AUDIT  
FINDINGS AND CORRECTIVE ACTION PLAN**

NONE



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

TORONTO CITY SCHOOL DISTRICT

JEFFERSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By: Susan Babbitt

Date: JAN 13 2000